

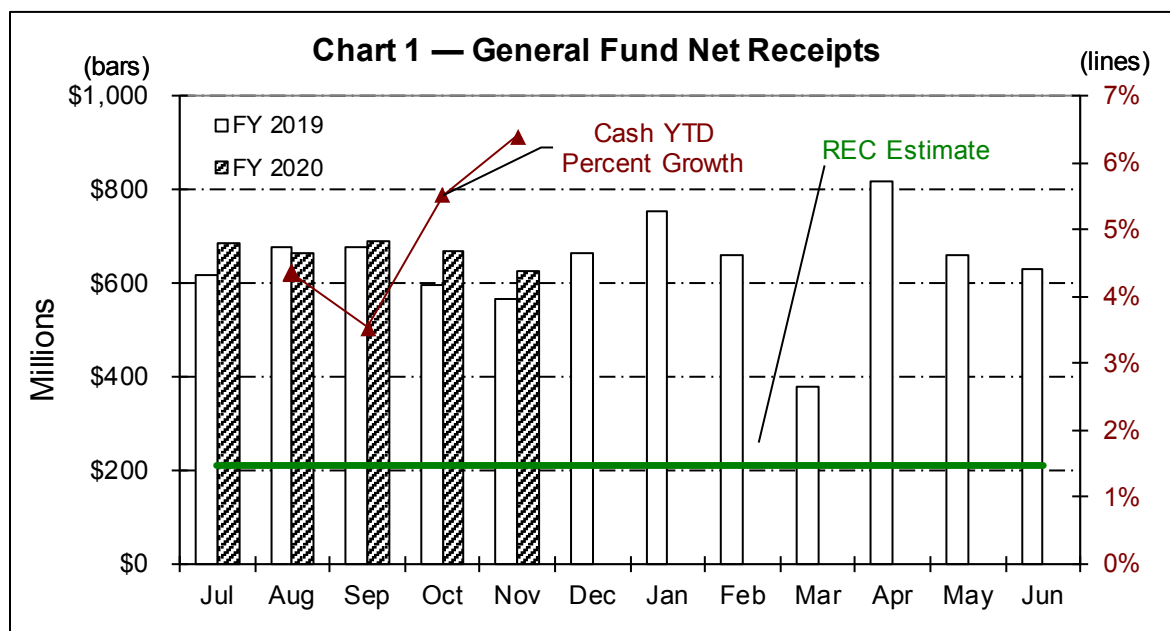
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: December 2, 2019

### Monthly General Fund Revenue Receipts Through November 30, 2019

The attached spreadsheet presents FY 2020 General Fund total net receipts with comparable figures for actual FY 2019. The figures can be compared to the FY 2020 estimate of \$7.851 billion set by the Revenue Estimating Conference (REC) on October 14, 2019. The FY 2020 estimate is an increase of \$115.3 million (1.5%) compared to FY 2019 actual receipts (excluding transfers). The next REC meeting is scheduled for December 12, 2019.



### Overview of Current Situation

November 2019 net General Fund revenue was \$58.9 million (10.4%) above the November 2018 revenue level. Cash year-to-date net receipts are \$200.7 million (6.4%) higher than FY 2019. There are two major factors affecting these comparisons:

- A change in the Iowa personal income tax withholding tables that took effect January 2019 will decrease deposits moving forward.
- The increased sales and use tax base that took effect January 2019 will increase deposits moving forward.

Major sources of revenue and their contributions to the FY 2020 year-to-date revenue change include:

- Personal income tax (positive \$37.7 million, 2.1%).
- Sales/use tax (positive \$104.8 million, 8.0%).
- Corporate tax (positive \$12.3 million, 5.7%).
- Other taxes (positive \$32.6 million, 27.8%).
- Other receipts (positive \$3.8 million, 3.0%).
- Tax refunds not including school infrastructure refunds (positive \$17.6 million).
- School infrastructure sales/use tax refunds (negative \$7.9 million).

## Fiscal Year Growth

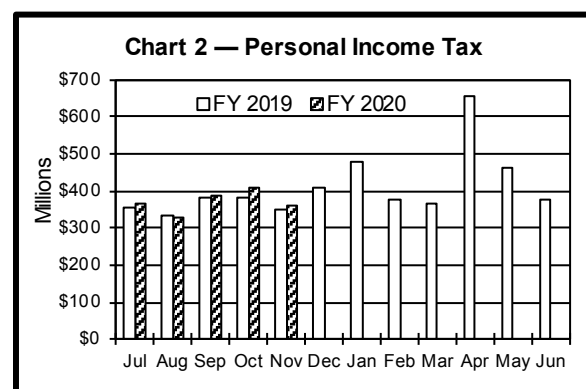
**Table 1** converts year-to-date receipts from a cash year basis to a fiscal year basis.

|                             | FY 2019           | FY 2020           | Difference      |             |
|-----------------------------|-------------------|-------------------|-----------------|-------------|
| Net Personal Income Tax     | \$ 1,407.5        | \$ 1,437.6        | \$ 30.1         | 2.1%        |
| Net Sales/Use Tax           | 865.9             | 955.6             | 89.7            | 10.4%       |
| Net Corporate Income Tax    | 99.1              | 143.6             | 44.5            | 44.9%       |
| Net Franchise Tax           | 10.2              | 16.2              | 6.0             | 58.8%       |
| Net Inheritance Tax         | 22.5              | 16.3              | -6.2            | -27.6%      |
| Net Insurance & Other Taxes | 55.9              | 83.1              | 27.2            | 48.7%       |
| Other Receipts              | 96.1              | 101.1             | 5.0             | 5.2%        |
| <b>Net Revenue</b>          | <b>\$ 2,557.2</b> | <b>\$ 2,753.5</b> | <b>\$ 196.3</b> | <b>7.7%</b> |

## Revenue Categories

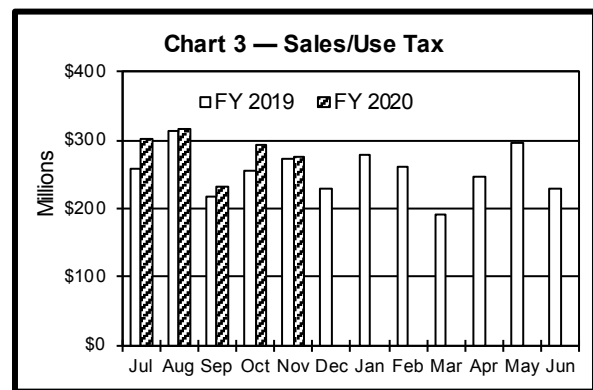
**Personal Income Tax** receipts received in November 2019 totaled \$362.1 million, an increase of \$11.2 million (3.2%) compared to November 2018.

The FY 2020 REC personal income tax estimate of \$4.910 billion represents a projected decrease of 0.7% compared to actual FY 2019. Through November 2019, personal income tax receipts increased 2.1%. By subcategory, withholding payments decreased \$31.7 million (-2.0%), estimate payments increased \$32.7 million (20.9%), and payments with returns increased \$36.7 million (62.1%). **Chart 2** compares FY 2019 and FY 2020 monthly income tax receipts from the three personal income tax subcategories.



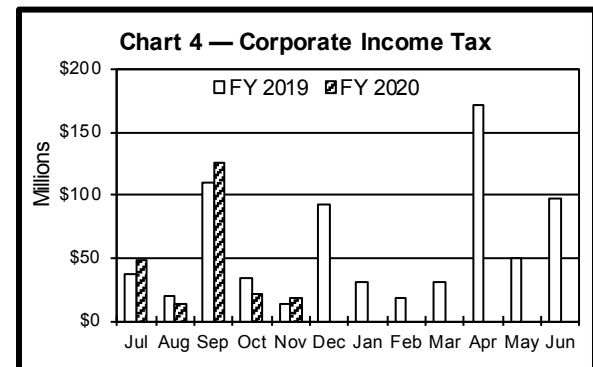
**Sales/Use Tax** receipts received in November 2019 totaled \$275.1 million, an increase of \$2.7 million (1.0%) compared to November 2018.

The REC estimate for FY 2020 sales/use tax receipts is \$3.219 billion, a projected increase of 5.7% compared to actual FY 2019. Through November 2019, sales/use tax receipts increased 8.0%. **Chart 3** compares FY 2019 and FY 2020 monthly sales/use tax receipts.



**Corporate Income Tax** receipts received in November 2019 totaled \$17.8 million, an increase of \$3.4 million (23.6%) compared to November 2018.

The REC estimate for FY 2020 corporate income tax revenue is \$722.7 million, a projected increase of 2.3% compared to actual FY 2019. Through November 2019, corporate income tax receipts increased 5.7%. **Chart 4** compares FY 2019 and FY 2020 monthly corporate income tax receipts.



**Other Tax** receipts received in November 2019 totaled \$15.6 million, an increase of \$9.3 million (147.6%) compared to November 2018. Inheritance tax increased \$3.7 million (86.0%).

The REC estimate for FY 2020 other tax revenue is \$321.4 million, essentially no change compared to actual FY 2019. Through November 2019, other tax receipts increased 27.8%. The bank franchise tax, insurance premium tax, and water excise tax all contributed to growth in this category.

**Other Receipts** (nontax receipts) received in November 2019 totaled \$26.6 million, an increase of \$0.7 million (2.7%) compared to November 2018.

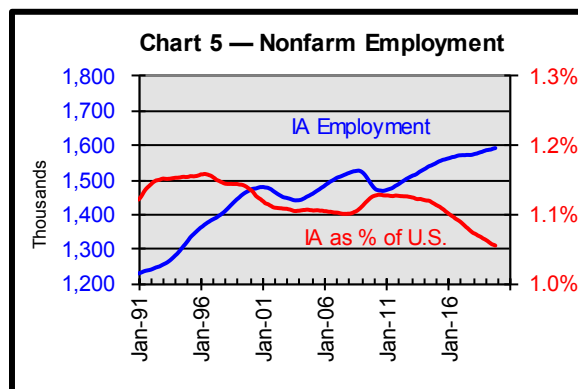
The REC estimate for FY 2020 other receipts revenue is \$322.1 million, a projected decrease of 3.7% compared to actual FY 2019. Through November 2019, other receipts increased 3.0%.

**Tax Refunds** issued in November 2019 totaled \$26.2 million, a decrease of \$36.0 million compared to November 2018. In addition to regular refunds, school infrastructure refunds totaled \$45.1 million, an increase of \$4.3 million compared to November 2018.

## Status of the Economy

**Iowa Nonfarm Employment** was reported at 1,611,900 for the month of October 2019 (not seasonally adjusted), 8,400 (0.5%) higher than October 2018.

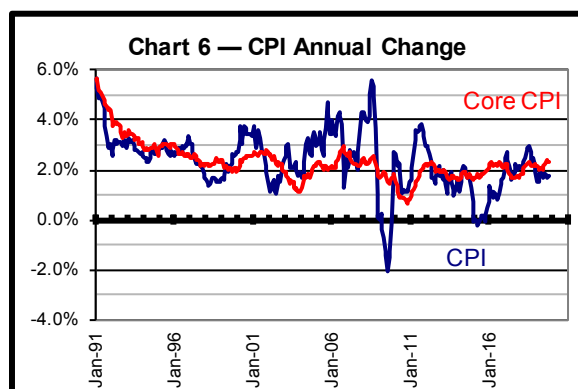
Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment last peaked in October 2008 at 1,526,300, which was 47,600 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,591,700, resulting in an annual average Iowa nonfarm employment level that is 64,700 above the 2008 peak.



The red line on **Chart 5** presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. However, Iowa's percentage of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010. Iowa's percentage of U.S. employment is currently at its lowest level in the history of the indicator and continues to fall.

**The Consumer Price Index (CPI)** through October 2019 was 257.3 (1983/84=100). Consumer prices increased 0.2% in October 2019 (not seasonally adjusted), and the annual rate of inflation increased to 1.8%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in October 2019 and increased 2.3% year-over-year. This is the 20th month the core inflation rate has been above 2.0% since March 2017. For the two components excluded from the core rate, energy prices are down 4.1% year-over-year and food prices are up 2.0%.



Further information can be found on the Fiscal Services Division webpages related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

| GENERAL FUND RECEIPTS  |                   |                   |                          |                      | ESTIMATED GENERAL FUND RECEIPTS                 |                     |                       |
|--|-------------------|-------------------|--------------------------|----------------------|---|---------------------|-----------------------|
| July 1 through November 30 (in millions of dollars)                                |                   |                   |                          |                      | (in millions of dollars)                        |                     |                       |
| Dollars may not add due to rounding. Percentages calculated using rounded numbers. |                   |                   |                          |                      | FY 2019 Actual Compared to FY 2020 REC Estimate |                     |                       |
|  | FY 2019           | FY 2020           | Year-to-Date<br>% Change | November<br>% Change | FY 2019<br>Actual*                              | FY 2020<br>Estimate | Projected<br>% Change |
| Personal Income Tax  | \$ 1,812.1        | \$ 1,849.8        | 2.1%                     | 3.2%                 | \$ 4,944.0                                      | \$ 4,909.6          | -0.7%                 |
| Sales/Use Tax  | 1,313.9           | 1,418.7           | 8.0%                     | 1.0%                 | 3,045.5   | 3,218.9             | 5.7%                  |
| Corporate Income Tax   | 214.5             | 226.8             | 5.7%                     | 23.6%                | 706.3   | 722.7               | 2.3%                  |
| Inheritance Tax  | 40.7              | 33.2              | -18.4%                   | 86.0%                | 80.7  | 78.3                | -3.0%                 |
| Insurance Premium Tax  | 55.8              | 70.8              | 26.9%                    | 0.0%                 | 153.4   | 149.4               | -2.6%                 |
| Beer/Liquor Tax  | 6.1               | 6.1               | 0.0%                     | 10.0%                | 13.5  | 13.5                | 0.0%                  |
| Franchise Tax  | 14.2              | 25.4              | 78.9%                    | 50.0%                | 59.6  | 54.8                | -8.1%                 |
| Miscellaneous Tax  | 0.5               | 14.4              | 2,780.0%                 | 2,500.0%             | 14.1  | 25.4                | 80.1%                 |
| Total Gross Taxes  | \$ 3,457.8        | \$ 3,645.2        | 5.4%                     | 4.1%                 | \$ 9,017.1                                      | \$ 9,172.6          | 1.7%                  |
| Institutional Payments   | \$ 4.3            | \$ 5.0            | 16.3%                    | 350.0%               | \$ 11.2   | \$ 10.6             | -5.4%                 |
| Liquor Profits   | 51.9              | 53.8              | 3.7%                     | -4.2%                | 125.6   | 126.6               | 0.8%                  |
| Interest   | 2.9               | 6.8               | 134.5%                   | 108.3%               | 9.0   | 11.2                | 24.4%                 |
| Fees   | 10.2              | 10.1              | -1.0%                    | -31.3%               | 28.9  | 26.1                | -9.7%                 |
| Judicial Revenue   | 31.7              | 32.1              | 1.3%                     | -3.3%                | 95.4  | 95.4                | 0.0%                  |
| Miscellaneous Receipts   | 24.2              | 21.2              | -12.4%                   | 0.0%                 | 64.4  | 52.2                | -18.9%                |
| Total Gross Receipts   | \$ 3,583.0        | \$ 3,774.1        | 5.3%                     | 4.1%                 | \$ 9,351.6                                      | \$ 9,494.7          | 1.5%                  |
| Refunds (Accrual Basis)  |                   |                   |                          |                      | 19.2  | 23.7                |                       |
| Tax Refunds *  | -233.7            | -216.1            | -7.5%                    | -57.9%               | -1,131.9  | -1,138.8            | 0.6%                  |
| School Infrast. Refunds *  | -214.2            | -222.1            | 3.7%                     | 10.5%                | -503.1  | -528.5              | 5.0%                  |
| <b>TOTAL NET RECEIPTS</b>  | <b>\$ 3,135.2</b> | <b>\$ 3,335.9</b> | <b>6.4%</b>              | <b>10.4%</b>         | <b>\$ 7,735.8</b>                               | <b>\$ 7,851.1</b>   | <b>1.5%</b>           |

\* For the Year-to-Date section, refunds are presented on a cash year basis.  
For FY 2019 and FY 2020 Estimate, refunds are presented on a fiscal year basis.  
The FY 2019 Actual column is final.